ABOUT THE CONFERENCE BOARD

The Conference Board is a business information service whose purpose is to assist senior executives and other leaders in arriving at sound decisions. Since its founding in 1916, the Board has been creating close personal networks of leaders who exchange experience and judgment on significant issues in management practice, economics and public policy. The networks are supported by an international program of research and meetings which The Conference Board staff of more than 350 persons carries out from offices in New York, Ottawa and Brussels.

More than 3,600 organizations in over 50 nations participate in The Conference Board's work as Associates. The Board is a not-for-profit corporation and the greatest share of its financial support comes from business concerns, many with worldwide operations. The Board also has many Associates among labor unions, colleges and universities, government agencies, libraries and trade and professional associations.

The Conference Board, Inc.
845 Third Avenue
New York, New York 10022
(212) 759-0900
RCA International Telex
237282 and 234465

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium
(02) 640 62 40
Telex: 63635

The Conference Board, Inc.
1755 Massachusetts Avenue, N.W.
Suite 312
Washington, D.C. 20036
(202) 483-0580

The Conference Board of Canada
255 Smyth Road
Ottawa, Ontario, K1H-8M7
(613) 526-3280

Conference Board Report No. 880 Printed in U.S.A.

1986 THE CONFERENCE BOARD, INC.

ISBN NO.: 0-8237-0322-3

R4105-54-F

Managing Corporate Political Action Committees

by Catherine Morrison

A Research Report from The Conference Board

Contents

page

HIGHLIGHTS v

WHY THIS REPORT vii

INTRODUCTION 1

1. THE DISSENTING VIEW 2

2. ESTABLISHING THE CORPORATE PAC 4

3. PAC POLICIES AND PRACTICES 7
- Relationship to Other Corporate Political Programs 7
- Cultivating Political Awareness 8

4. ADMINISTRATION OF THE CORPORATE PAC 10
- The Tasks of a PAC Administrator 10
- Other Officers' Duties 11
- Duties of the PAC Chairman 12
- Selection and Appointment of Employees to PAC Positions 12
- PAC Committee Structure 13

5. RAISING AND ACCOUNTING FOR PAC FUNDS 15
- Which Employees to Solicit? 15
- Record-Keeping and Confidentiality 16
- Ensuring a Voluntary Contribution 17
- How Much to Solicit? 17

6. SELECTING CANDIDATES TO SUPPORT 19
- Earmarking 20

7. RATING PACS' EFFECTIVENESS 21
- Solicitation Procedures and Costs 22
- PAC Money and Legislative Activity 23
- Other Benefits 23
- Candidate Selection 24
- The CEO's Role 26
- Wasted Contributions 26
- The Influence of PACs on Corporations' Futures 26
- Campaign Spending Reforms 27

TABLES

1. PAC Growth From 1974 Through 1984 4
2. Breakdown of PACs by Governmental Level 5
3. Names of PAC Policy-Setting Units 8
4. Relationships Between PAC and Other Public Affairs Units 9
5. Political Awareness Programs 9
6. Reporting Relationships of PAC Managers 10
7. Duties of PAC Managers 11
8. Reporting Relationships of PAC Chairman 13
9. Selection or Appointment of Employees to PAC Positions 13
10. Criteria in Selecting or Appointing Employees to PAC Positions 13
11. Functional Responsibilities in PACs Without Operating Committees 14
12. Person or Unit With Final Authority for Selecting Political Candidates 14
13. Proportion of Executive and Administrative Personnel Contributing 15
14. Who Decides Which Employees to Solicit 15
15. Grade Levels Solicited 16
16. Employees, Beyond PAC Treasurers, Having Access to List of PAC Contributors 16
17. PAC Activity of Companies Interviewed 22
18. By Company: PAC Funds Received and Distributed and the Nature of Support 25

CHARTS

1. Unit or Executive Responsible for PAC Policy 7
2. Location of PAC Within Corporate Organization 7

EXHIBITS

1. Selected PAC By-Laws and Statements of Objectives of a Construction Company 6
2. Organizational Chart for PAC of a Diversified Industrial Products Company 8
3. Organizational Chart for PAC of a Consumer Goods Manufacturer 9
4. Job Description: PAC Management as Primary Responsibility—Pharmaceutical Company 11
5. Job Description: Part-time PAC Manager—Consumer Products Company 12
6. Campaign Money: Who Gives It and Who Gets It 19

Author's Acknowledgment

This report on political action committees rests on earlier Conference Board studies by Phyllis S. McGrath[1] and Seymour Lusterman.[2] The original research design and surveys for this report were prepared by Linda Wintner. The author was helped in numerous ways by others at the Board and expresses particular appreciation to E. Patrick McGuire.

[1] Phyllis S. McGrath, *Redefining Corporate-Federal Relations*. The Conference Board, Report 757, 1979.

[2] Seymour Lusterman, *Managing Business-State Government Relations*. The Conference Board, Report 838, 1983.

Highlights

The explosive growth of corporate PACs, from a total of 89 in 1974 to 1, 682 by early 1985, has resulted in extensive analysis and commentary by the media and interest groups. PACs and their purported influence are controversial, and not all major corporations allow them within their organizations.

The study found some corporations—a minority of those examined—expressing the belief that political involvement is best left to the discretion of individual companies; PACs are viewed by these firms as an inappropriate company activity.

Those companies having PACs most often locate them in the public affairs or government relations unit of their firms; the management of the PAC is rarely a full-time job.

Despite public speculation to the contrary, there is no evidence, in this study, of a direct link between a corporation's pattern of giving and significant legislative influence on a particular issue. Nor is there a discernible pattern to the sources of recommendations for candidate support; there are no procedures that are common practice to all companies.

Coercion—even the *perception* of coercion — is said to be avoided scrupulously. Yet PACs, by virtue of the selection of officers, clearly reflect the political interests of the companies' managements.

Discussions with PAC managers proved to be particularly illuminating. While both opponents and proponents of PACs see them as enormously important and effective, the managers interviewed disagree. The PAC managers view the total monies collected as spread across so broad a base of candidates as to render these contributions insignificant. They also point out that the broader the base of support to the elected official, the less accountability he or she has to individual campaign contributors.

There were relatively few firms whose PACs have formal political education or voter-registration activities for their employees. However, "meet-the-candidate" meetings, when they occur, are held on company time. Administrative costs are, by law, permitted to be paid out of corporate funds. Managers keeping records report these costs to be 25 to 50

About This Report

During 1984, The Conference Board surveyed 2,000 companies with regard to corporate political action committees (PACs). One thousand of these firms were companies that did not have corporate PACs. The second thousand were firms known to have corporate PACs through Federal Election Commission (FEC) reports.

The first group, the companies without PACs, were sent a one-page questionnaire requesting their views on corporate PACs and their reasons for not having them. One hundred and eighteen of these companies responded, providing insights into why companies had considered but rejected the idea of organizing a corporate political action committee.

The second 1,000 companies, known to have PACs, were sent an eleven-page questionnaire requesting detailed information on how the PACs were organized and managed. One hundred and ninety-two of these companies responded, providing the detailed material contained in this report.

In addition, telephone and personal interviews were held with senior officials in charge of managing corporate PACs in Washington, Chicago, Boston, metropolitan New Jersey, and New York City. Interviews were also held with key public-sector officials and with representatives from various public-interest groups. Much of the material contained from the interview portions of the research project is presented in Chapter 7 of the report.

Characteristics of Respondents by Type of Industry

Industry Type	% Distribution
Manufacturing	46%
Banking	13
Utilities	8
Financial and Insurance Services	8
Transportation	5
Retailing	4
Diversified Service	2
All Other Industries	14
	100.0%

percent—and often more—of the funds solicited. Would companies tolerate such cost-benefit ratios in other areas, some managers asked?

There was general agreement that the PAC system, though flawed, is about the best we have had; it is clean and representative. Costs are high but, then again, political campaigns are becoming increasingly expensive. All managers were concerned about escalating costs. Fund-raising efforts during non-election years are sometimes as intensive, for the managers, as election years.

Finally, what benefits do PACs buy for the corporation? Access, perhaps, but certainly not votes, was the general reply. PACs buy sympathy and interest in the general positions of business, but divergent views on individual issues—often within a single industry—keep competing interests alive and well.

Why This Report

Political action committees (PACs) and their alleged influence have become the focus of a national debate on corporate and political ethics as well as campaign financing reforms. A frequent charge is that PAC contributions buy privileged access for special interest groups and that such access corrupts the democratic process. But how much direct influence do corporations gain from the PAC system? This report suggests that there may be less here than meets the eye.

PAC managers—and Board researchers—have been interested in whether PACs are an "effective" tool for expressing the political interests of corporations. At the urging of these executives, the Board conducted this study of the organizational and managerial characteristics of corporate PACs. Contrary to conventional wisdom, nearly all those interviewed agree that, while PACs are an excellent means of expressing employees' political preferences, they are not an effective mechanism for exerting corporate political will. But PACs do guarantee access, and that is important in the political process.

Corporate executives responsible for managing PACs—primarily public affairs officers—need to know how competing corporations and businesses of similar size organize and administer their political action committees. The results should prove useful to all those executives charged with managing their firms' PACs.

The Conference Board expresses its thanks to the corporate executives, political scientists and legislators who participated in this study. The time they took to share their ideas, and the candor of their responses, will benefit the entire business community.

JAMES T. MILLS
President

Introduction

"We are the only human beings in the world who are expected to take thousands of dollars from perfect strangers on important matters and not be affected by it."

Representative Barney Frank
(Dem.—Massachusetts)
Address at Boston University, 1984

A variety of organizations have created and used PACs for several decades; labor organizations had developed PACs as early as the 1940's and trade and professional organizations, involving such diverse groups as physicians and dairy farmers, had formed PACs in the 1960s. What the passage of FECA did mark, however, was the opening ripple of what was to become a tidal wave of corporate PACs. Up to that time relatively few corporations had organized PACs on either the federal or state level. At the dawn of the "modern" PAC era, in the closing days of 1974, there were only about 600 PACs of all varieties. But by the end of 1984, 4,009 PACs were registered with the Federal Election Commission.

While there was growth in all kinds of PACs, growth was most pronounced in the business sector. (See Table 1, p. 4.) In 1971, the year FECA was originally passed, there were fewer than 90 PACs that could be described as "corporate." There are now more than 1,600 corporate PACs.

While the number of PACs was increasing, so was the cost of getting elected. Politicians, whatever their political persuasion, came to depend more and more on funds made available through business, labor, professional and trade association PACs. Relatively few congressmen or senators chose to reject such support.

There is considerable debate over the amount of influence that PACs wield. Twenty PAC managers interviewed for this report in the spring of 1985 discuss this issue in Chapter 7. Some critics would like to completely eliminate PACs and establish public financing for all elections. Such a financing system has already been established for certain state-wide offices in some states. On the other hand, advocates of PACs hold that the PAC system is grass-roots democracy at its best.

It is not the purpose of this report to join that debate. PACs are a fact of life in U.S. politics, whether they are seen as a special-interest group phenomenon that buys access or votes, or as a new system that assembles small contributions into large, effective units representing the interests of groups as a whole. Not all the corporations we surveyed have PACs, and some that have them are ambivalent about their value. This report focuses on corporations that have chosen to form PACs, how those PACs are organized and administered, and what their principal characteristics may be.

Money and Politics

Money and politics are inexorably intertwined elements in the history of U.S. elections. Both the architects and managers of the Republic have struggled with how to curb the election abuses that grow out of this volatile mix of money and political persuasion. During the 1896 Presidential campaign, the election of William McKinley was financed principally through funds from the business community. President Theodore Roosevelt was the first U.S. President to call for a ban on corporate contributions to political elections and, in 1907, with the passage of the Tillman Act, corporate entities and financial institutions were proscribed from contributing to federal elections.

The Teapot Dome incident of the 1920's led to both further reforms and the passage of the Federal Corrupt Practices Act of 1925. This legislation reinforced the Tillman Act by requiring that candidates keep a record of their campaign receipts and expenditures. The Act became noteworthy by the extent to which it was ignored. It was eventually repealed and replaced by the Federal Election Campaign Act (FECA) of 1971.

Further reforms were considered later in the 1970's as a result of the financing irregularities in the use of both corporate and individual campaign contributions that were uncovered during the Watergate scandals. The resulting FECA amendments of 1974 were far more sweeping in their spending limitations. The new regulations increased a candidate's dependency on the support of PACs and triggered the dramatic rise in their size and number. Only then did "PAC" become a household word, despite the fact that they were around well before 1974.

Chapter 1
The Dissenting View

MANY OF THE COMPANIES responding to the survey had—at some point in time—decided that PACs were useful means of aggregating the political power of their employees, and that a company PAC represented a legitimate exercise of corporate political responsibility. Of course, not all major organizations have, or support the idea of having, a corporate-based PAC.

While a few firms instituted—and later abandoned—PACs, 109 of the 118 responses (93 percent) from firms that do not have PACs stated that they had never had a federal-level nor a combined federal-state level PAC. Nearly one-half of these firms report that their corporate philosophy is based on the tenet that political involvement is best left to the discretion of individual employees and that business firms, as entities, should not be involved directly in political affairs.

Several of the executives questioned—primarily senior public affairs officials—replied that their companies viewed PACs as "corrupting," or that they believed "PACs can too easily become 'targets' for politicians." Some also expressed reservations that the PAC process reduces "political selectivity and tends to benefit incumbent candidates." One manager pointed out that his senior management "believes PACs distort further a political process that is already too fragmented." In some other instances, management's adverse reactions to PACs are simply described as "basically philosophical"; that is, senior company managers just do not believe PACs are an appropriate activity for their companies.

Among this group of 118 firms, nine out of ten indicated no plans to establish a federal or state PAC. It should be noted, however, that while this non-PAC group of companies obviously does not wish to be involved directly now, or in the near future, they may contribute to the administrative costs of trade association PACs. About one-fifth of these firms did, in fact, provide funds to such trade or professional group PACs; and a little over 10 percent contributed to the political *education* division of the Business-Industry Political Action Committee (BIPAC).

Firms cannot legally contribute corporate funds to a PAC (i.e., moneys that are being collected by the candidates). They are , however, able to grant permission for trade association or professional PACs to solicit their employees—primarily their senior managers. Nearly three-quarters of the non-PAC firms in this survey had given written approval to one or more trade associations to solicit funds from their executive or administrative personnel. Almost all of this latter group of firms have granted permission to the National Chamber Alliance for Politics (Chamber of Commerce of the United States) and to the political action division of BIPAC.

There may also be some pragmatic reasons why firms have elected not to establish PACs. Some managers, for example, commented that they just did not believe their employees are interested, or would participate, in political action committees. And some, looking at the relatively meager sums of money that individual candidates receive from most PACs, did not believe their efforts would make a significant difference in a candidate's election. Others simply thought the possibility of adverse publicity concerning a company PAC far outweighed any political advantages.

Dissenting Voices on Corporate PACs

Shown below are some of the comments provided by senior public affairs officials in companies that do not have corporate PACs:

"In 1980, we considered forming a corporate PAC or joining an industry PAC. But the consensus was that we had plenty of work to do keeping our company profitable. We did not want to dilute our efforts."

a rubber products manufacturer

Several firms expressed sensitivity to what they saw as public criticism of PACs:

"We are concerned with the negative publicity surrounding PACs. Our board doesn't think it is an appropriate activity for a consumer goods company."

a food processing firm

"The potential for abuse inherent in a PAC's solicitation will inevitably be seized by some insensitive senior managers. And the ensuing bad publicity will rub off on the companies—and on business in general. Unfortunately, arrogance is a characteristic still too prevalent in the makeup of some top corporate officials. In general, we think that, *for us*, our system of encouraging, but not policing, good-citizenship practices is the best route to take."

a building products manufacturer

Other companies believe PACs are a corruption of the political system, or fear that a PAC might place their firm in a position where corruption of the company would be possible:

"We believe that the business point of view is adequately represented without PACs. Having a PAC opens us to 'jawboning' by incumbents we may not want to support but who are in politically powerful positions."

a service company

"Our board of directors shares a philosophical consensus that PACs have a great potential for corrupting the political process."

a business service firm

The majority of respondents, however, expressed the belief that the political process in the United States was always intended to be an expression of free, personal and private choice, and should remain that way:

"We urge our people to become involved individually but we do not believe in forcing people to participate. We feel that there would be pressure, even if not intended, to contribute to a company PAC."

a pharmaceutical firm

"We do not feel we have the right to make political decisions with the money of our employees."

a business equipment manufacturer

"We believe that endorsement by senior management of our company would be construed by our employees as pressure to contribute to such a fund. We do not want to risk adverse reaction on the part of our salaried employees."

a metals manufacturing firm

"Our view is that we should be able to make a good case for our side to elected officials of whatever party or political bent, when our special interests are at stake. If we are unable to be persuasive on the merits of our position, we should probably not present it at all. We believe the electoral process should remain as intended: a matter of individual preference and conscience."

an international food products firm

Chapter 2
Establishing the Corporate PAC

AS SHOWN IN Table 1, the growth in corporate PACs from 89 in 1974 to 1,682 by the beginning of 1985 far outstripped that of PACs sponsored by other groups. Nine out of ten of the companies responding to The Conference Board survey had established their PACs in the period between 1975 and 1983; 1976 was a banner year in PAC formation with 27 percent of the respondents reporting their PACs created in that year. The growth rate dropped, for reasons that are not clear, after 1976, and then regained a robust pace in 1978. From that point forward, the number of new PACs dropped precipitously. PACs do not generally exist in smaller firms and it may well be that by 1978 most major corporations that would be inclined to form PACs had already done so. Conversely, those that had decided against them had not had sufficient evidence to cause them to change their positions.

The creation of a political action committee invariably involves the senior officers of the company, and normally requires a resolution of the firm's board of directors. More than half the responding firms reported that their PACs had been established by such a resolution. When questioned as to "whose idea it was," it became apparent that most corporate boards were reacting to suggestions of corporate officers or staff members. In approximately one-third of the firms it was the president, chief executive officer, or chairman who proposed the PAC to the board of directors. In a quarter of the cases, a government relations executive offered the idea and in one-fifth of the instances a public affairs officer was responsible for the proposal. A public affairs executive invariably formulated the idea, passed it through the president's or CEO's office, and had it ratified by the company's directors.

The fact that so many government relations and public affairs officers should have promoted the formation of PACs is no great surprise. PACs are often seen by these executives as a useful tool in getting the attention of—and sometimes influencing—legislators at both the federal and state level. Support from a PAC often eases a difficult job for government relations officers, helping to capture a few moments of a legislator's time in order to present the company's point of view. Few elected officials will refuse to take a phone call from a campaign contributor. Some respondents also pointed out that PACs have turned out to be a practical tool for organizing their political support activities, in some cases reducing—but certainly not eliminating—their obligations to participate in such transparent fund-raising activities as testimonial dinners.

Some firms began by first organizing a federal-level PAC, and then proceeded to establish PACs within certain key states in order to provide support to state legislators as well. In a few cases, the state-level PACs were organized separately, but the majority of companies took advantage of the fact that a PAC may operate on either a federal, state or combined federal-state basis. Table 2 shows the combinations of PACs reported by respondents.

There is no formal requirement that a PAC be incorporated. Although some company counsel, for a variety of reasons, recommend this procedure, less than one-fifth of the firms surveyed use the corporate form of PAC structure. Despite the

Table 1: PAC Growth From 1974 Through 1984

	Committee Type			
Date	*Corporate*	*Labor*	*Trade, Membership, Health*	*Total*
12/31/74	89	201	318*	608
11/24/75	139	226	357*	722
05/10/76	294	246	452*	992
12/31/76	433	224	489*	1,146
12/31/77	550	234	438	1,360
12/31/78	785	217	453	1,653
12/31/79	950	240	514	2,000
12/31/80	1,206	297	576	2,551
12/31/81	1,329	318	614	2,901
12/31/82	1,469	380	649	3,371
12/31/83	1,538	378	643	3,525
12/31/84	1,682	394	698	4,009

*For the years 1974-1976, these numbers represent all other political committees—no further categorization is available.

Source: U.S. Federal Election Commission Press Release: January 20, 1985.

Table 2: Breakdown of PACs by Governmental Level

Type of PAC	% of Respondents* Having Only This Type of PAC	% of Respondents* Having at Least One of This Type of PAC
Federal	33	53%
Combined only		
Federal-State	34	43%
State only	**	21%

* % of 192 companies

** Companies with *only* state-level PACs were not included in this project.

lack of incorporation, most PACs have a formal set of by-laws and precisely defined objectives. Nearly nine out of ten of the PACs studied do have such rules and objectives in their by-laws, constitutions, or articles of organization.

The by-laws examined contained the customary legal and procedural elements—the nomination of officers, rules of participation, organizational procedures, handling of expenditures, indemnification, and so forth. Of particular interest are the sections regarding purpose and powers.

The "purposes" are all somewhat similar. For example:

- to promote good citizenship
- to protect, preserve and promote constitutional institutions and the American free enterprise system
- promotion, support and election of candidates
- to foster a healthy political, governmental, and economic system in the United States that will aid in promoting a business environment conducive to the interests of. . .

The "powers" generally cover the solicitation of funds from contributors and the disbursement to candidates, other committees or political parties. Some examples include:

- to receive contributions and to expend moneys received in conformity with applicable laws
- to solicit and accept voluntary contributions
- to consider the recommendations of each member. . .regarding (a) the integrity and character of the candidate; (b) whether the candidate holds the leadership or policy-shaping position in his party; (c) the candidate's position and/or voting record on issues involving the private enterprise system. . . .

Exhibit 1 (p. 6) presents selected by-laws and statements of objectives of one of the firms studied. Although the Federal Election Commission does require a specific "Statement of Organization," it does not require (and, in fact, discourages) the filing of by-laws. The fact that the formats of the by-laws examined for this research tend to be similar would appear to be due to the influence of "model" information provided by business-research organizations and the desire of corporate attorneys to use a model that has already proven successful.

Once a PAC structure has been created, and by-laws and procedures established, the next move is to decide on a location. Since PAC administration is most often carried out by executives located at company headquarters, in 95 percent of the cases studied the PAC is officially located there. A small proportion of firms locate the PAC in their Washington, D.C., offices or at their state capitals. While it is easier for committees and administrators to work with a headquarters-sited PAC, the federal or state government relations executive, even though officially not located at headquarters, still plays a significant part in the activities of the corporate PAC.

PAC Mania

Larry Sabato, professor of government at the University of Virginia and frequent commentator on the financing of political campaigns, writes: "Scanning the list of over 3,000 PACs, an observer might quickly conclude that every conceivable group has gone PAC crazy. The Peanut Butter and Nut Processors Association has its NUTPAC. The beer distributors have their SixPAC. Whataburger, Inc., operates What-a-PAC. There is a BreadPAC (American Bakers Association), an EggPAC (United Egg Producers), a FishPAC (National Fisheries Institute), a FoodPAC (Food Marketing Institute), and—to wash it all down—a Dr. Pepper PAC. Seemingly, every 'concern' is represented by a PAC: Concerned Italian Americans for Better Government, Concerned Rumanians, Concerned Professionals, Concerned Businessmen and Concerned Texans.

"Just about every classification of Americans has at least one entry. Blacks have the Parker-Coltrane PAC (named after founder U.S. Rep. John Conyers' favorite jazz saxophonists). Hispanics (at least the conservatives among them) have the National Coalition for a Free Cuba, created by a group of wealthy Miami-based Cubans opposed to Castro and communism. Women have several PACs dedicated to assisting their campaigns for public office, including the National Organization for Women PAC, the Women's Campaign Fund, and the National Women's Political Caucus Victory Fund-PAC. Senior Citizens have Senior-PAC. Gay rights supporters have the Human Rights Campaign Fund, a national group, and the more locally based Municipal Elections Committee of Los Angeles (MECLA). Animal protection advocates have ROAR-PAC (Respect Our Animal Rights) to fight laboratory abuse of animals."[1]

[1]Larry J. Sabato, *PAC Power*. W.W. Norton, 1984, p. 25.

Exhibit 1: Selected PAC By-Laws and Statements of Objectives of a Construction Company

ARTICLE III: ORGANIZATION

[Company Name] PAC shall be a voluntary, nonprofit, unincorporated political association composed of its members, who shall be individuals. It shall be independent of any political party, candidate or organization except that the company shall defray all the costs and expenses incurred in the establishment and administration of, and in the solicitation of, contributions.

ARTICLE IV: PURPOSES

The purposes of [Company Name] PAC are the protection, preservation and furtherance of the private enterprise system and the betterment of government. To achieve these purposes, it is empowered to solicit and accept voluntary contributions from individuals and other political committees and to expend such contributions to influence the nomination for election, and the election of candidates for federal, state or local elective public office. In carrying out the foregoing, it is empowered to make contributions, within limits approved by law, to candidates and to national, state and local committees or political parties.

ARTICLE V: MEMBERSHIP

The members of [Company Name] PAC shall consist of its initial organizers and such other individuals as may hereafter be admitted to membership. Only [Company Name] and subsidiaries' supervisory, executive and administrative personnel and their spouses, plus stockholders and their spouses, will be solicited.

ARTICLE VI: CONTRIBUTIONS

Section 1. All contributions shall be voluntary, and no contributions shall be solicited or secured by job discrimination or financial reprisal or by the threat of job discrimination or financial reprisal, or as a condition of employment by [Company Name] or any of its subsidiaries.

Section 2. No contribution shall be accepted, and no expenditure shall be made, at a time when there is a vacancy in either the office of Chairman or Treasurer of [Company Name].

Section 3. No member of the [Company Name] PAC, or contributor thereto, if not a member, shall have a right to share personally in any funds or other assets of the [Company Name] PAC upon its dissolution.

Section 4. The contribution of any funds shall be within the sole discretion of the Contribution Committee.

ARTICLE VII: SEPARATE, SEGREGATED FUND

All contributions shall be maintained in a separate, segregated fund or funds, and all expenditures in support of any candidate or political committee shall be made from such funds and from no other source.

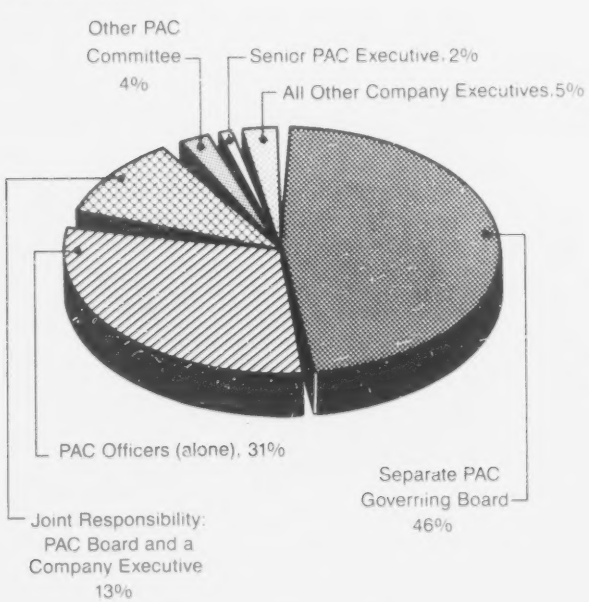
Chapter 3

PAC Policies and Practices

ONCE THE DECISION has been made to have a PAC, corporate managements—at least in the companies studied—tend to maintain a hands-off stance as far as setting PAC policies is concerned. This does not mean, however, that the PACs do not closely reflect the attitudes, values and opinions of their corporate sponsors' senior management. As Chart 1 shows, policy responsibilities are primarily the function of the PAC's officers and their governing boards.

There is considerable variation in the titles that corporate PACs use to identify these policy-setting groups. (See Table 3.) In nine out of ten instances, PAC managers say that the policy committee group is comparable to a board of directors, although only 14 percent label them as such.

Chart 1: Unit or Executive Responsible for PAC Policy

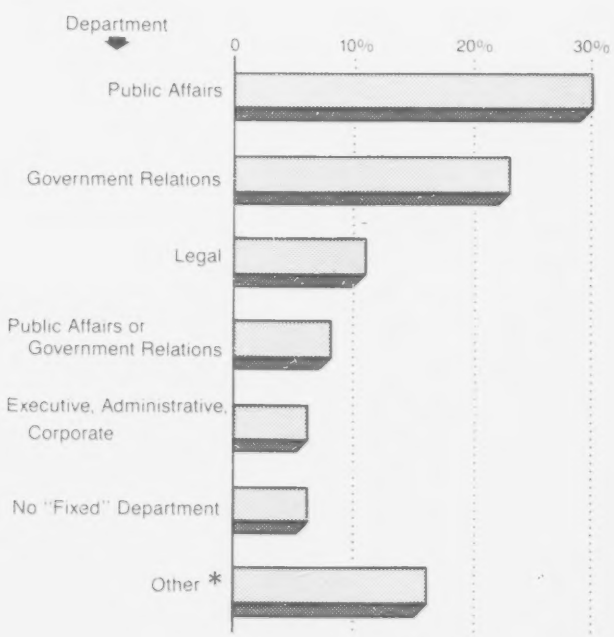

Other PAC Committee 4%
Senior PAC Executive, 2%
All Other Company Executives, 5%
PAC Officers (alone), 31%
Separate PAC Governing Board 46%
Joint Responsibility: PAC Board and a Company Executive 13%

Note: Details do not add up to 100% due to rounding.

Relationship to Other Corporate Political Programs

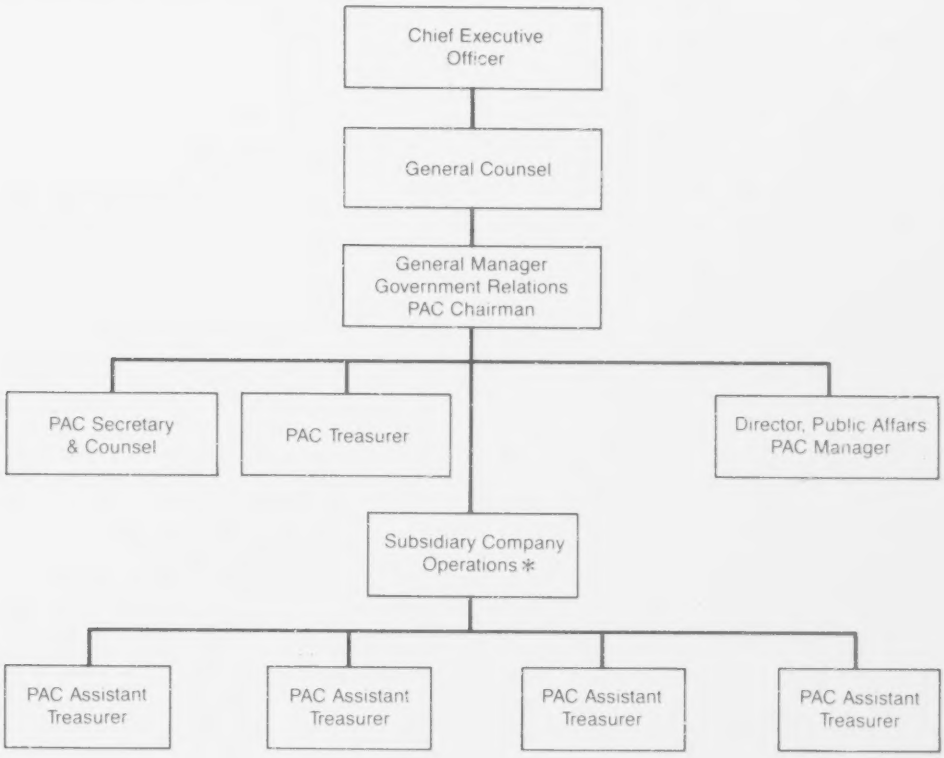
As indicated earlier, the companies studied tend to be large and to possess great organizational resources. Three-quarters have a public affairs department, and nearly as many have a government relations unit. Half have a Washington office, which may be a factor in the existence of a corporate PAC. From an organizational standpoint, about three in five of the PACs are positioned in the public affairs or government relations units of their companies. A smaller number report to other departments. (See Chart 2.)

Chart 2: Location of PAC Within Corporation Organization



*Includes combinations of above units as well as Human Resources, and Finance Planning.

Exhibit 2: Organizational Chart for PAC of a Diversified Industrial Products Company



*The firm's four subsidiary companies are each represented on the corporate PAC by a representative designated as an Assistant Treasurer.

As might be expected, there is a close working relationship between the PAC and the unit within which it is located. In some cases there is a sharing of office space. The nature of some of these relationships is illustrated in Table 4.

The variety of organizational configurations most often reflects the size of the firm's public affairs and government relations units, as well as the degree of political involvement of the firm. Exhibits 2 and 3 are typical of how firms have organized their PAC units in relation to other functional units.

Cultivating Political Awareness

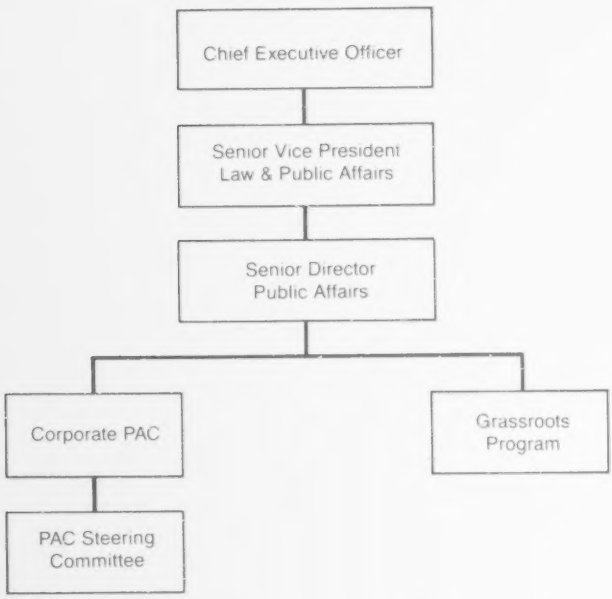
The fact that a company has elected to organize and operate a PAC does not mean, per se, that it has a consuming interest in political education or awareness. Fewer than a third of the firms having PACs, for example, have any kind of political education or voter-registration activities for their employees. This lack of organized programs does not mean, however, that companies are insensitive toward political education or voter registration. Many report that they periodically distribute internal memoranda and news reports on political subjects. Two-thirds of the companies say that they encourage local and national candidates to visit company premises and to discuss political issues with their employees;

Table 3: Names of PAC Policy-Setting Units (N = 164)

Name of Unit	*Percent*[1]
Officers	17%
PAC Board of Directors (or PAC Board)	14
"PAC" (no "special" name)	13
Executive Board or Committee	12
Steering Committee	12
Contributions Committee	7
Administrative Committee	5
Selection Committee	4
Management Committee	3
Other (including Advisory, Finance, Government Relations, Trustees)	15
	102%[a]

[1] % of 164 companies.
[a] Does not equal 100% due to rounding.

Exhibit 3: Organizational Chart for PAC of a Consumer Goods Manufacturer



but only a minority encourage or solicit visits on a regular basis.

As far as the PACs are concerned, some have a variety of political education, grass-roots, and candidate-visit programs that focus on, but do not always limit themselves to, company employees. Most corporate PACs, as compared with labor PACs, do not actively engage in much direct or voluntary political activity. Nor does there appear to be much unity on whether or not to include stockholders in either the funds-solicitation or public-awareness programs. A leading commentator on corporate PACs has noted:

> "Labor's ability to mobilize volunteers to work in politics is not matched by corporate PACs, which have not yet developed similar programs on an extensive scale. But corporations have potentially large constituencies—stockholders and their families as well as executive and administrative employees—and are certain to establish more vigorous supplemental direct and indirect political action programs in the future."[1]

Table 4: Relationships Between PAC and Other Public Affairs Units (N = 175; multiple responses)

	Percent of Companies with:		
Relationship	*Public Affairs*	*Government Relations*	*Washington Office*
Share same office space	41%	51%	22%
Senior executive of department chairs PAC	37	38	9
PAC chairman and senior executive of department report to same person	26	24	12
PAC manager and senior executive of department report to same person	20	21	13
No relationship	10	8	10

Table 5: Political Awareness Programs (N = 192; multiple responses)

Program	*Percent*
Newsletters	47%
Candidate visits, forums	43
Bulletins, memos	39
Special letters	39
Grass-roots program	37
Audiovisual programs	31
Get-out-the-vote activities	18
Voter registration drives	16
Political education courses	16

The types of programs they do engage in, and the extent of their participation, are shown in Table 5.

[1] Herbert E. Alexander, "Political Action Committees and Their Corporate Sponsors in the 1980's," *Public Affairs Review*, Vol. II. Washington D.C.: Public Affairs Council, 1981, p. 29.

Chapter 4
Administration of the Corporate PAC

RUNNING A CORPORATE political action committee is rarely, if ever, a full-time job, and a majority of companies say that they have no more than one or two professionals working on the management and administration of their PACs. Only one-quarter have as many as three employees, and fewer than 15 percent have four or more employees actively involved in administrative procedures.

Only about 5 percent of the companies have a staff member working full-time on PAC administrative duties. Four out of ten firms say that the administrative officer for their PAC spends less than 5 percent of his or her professional time on PAC duties. And only one-quarter of the PAC administrators questioned say they spend as much as 20 percent of their time on PAC duties.

In four-fifths of the firms questioned, management selects an employee who acts as the principal administrator or coordinator for the PAC, but fewer than 15 percent of the firms in this survey have someone who uses such a job title. In the overwhelming number of cases, the administrative duties are carried out as part of the job responsibility of an officer of the PAC ; most often this is the chairman or treasurer.

Almost invariably, the individual chosen to manage the PAC is selected from the public affairs or government relations functions of the company. That person usually has responsibility within the company for lobbying and, on more than one occasion, has been drawn into the company from government. But, even if that individual is not chosen from these two functions, there is a high probability that he or she will report to a government relations or public affairs executive on PAC matters. The importance of PAC activities within some companies can also be seen by the fact that approximately one-quarter of all the PACs are headed by individuals who report—at least on PAC matters—to the company president or CEO. (See Table 6.)

The Tasks of a PAC Administrator

PAC administrators spend the majority of their time on two primary activities: raising funds from employee members of the PAC and screening candidates for the receipt of such funds. These tasks are examined in detail below. PAC administrators often seem to be engaged in a constant struggle to increase the percentage of employees participating in the PAC and also to assure that the contributions level equals or exceeds the previous year's donations.

At the other end of the process—giving the money raised to political candidates' campaigns—the task is no less demanding. The number of candidates seeking PAC money has significantly increased in the past few years. It used to be, PAC administrators say, that they could focus their attention on committee chairmen and the representatives and senators from their own states. But now, because of the educational efforts of the Republican and Democratic National Committees, it is not unusual for corporate PAC administrators to receive solicitations from congressmen and senators who seem to have no connection to a corporation's philosophy, line of business, or geographic area of operations. It is well known that some members of Congress regularly conduct national PAC money-raising campaigns, soliciting funds from corporations far outside their constituent districts. Such a tactic might be expected of legislators in key or pivotal lawmaking positions, but it has now spread to rank-and-file legislators as well.

Table 6: Reporting Relationships of PAC Managers
(N = 175)

PAC Manager Reports to	*Percent*
President, CEO, Chairman	24%
Government Relations or Government Affairs Executive	13
Public Affairs Executive	12
General Counsel	11
Vice Chairman	9
Corporate or Administrative Staff	5
Corporate Relations or Corporate Affairs Executive	5
Comptroller; Financial Executive	5
Other	16
	100%

Exhibit 4: Job Description: PAC Management as Primary Responsibility—Pharmaceutical Company

Nature and Scope of Position:

The Administrator supports the [Company Name] political action committee program by providing the following services:

1. Prepares and maintains all records related to employee contributions and donations to candidates for public office.
2. Maintains the financial records of the PAC and maintains the separate, segregated bank account for the PAC, making all entries, executing drafts, and reconciling statements.
3. Utilizing knowledge of appropriate regulations, incumbent prepares all reports for filing with the Federal Election Commission and with state election agencies, where required, and prepares monthly financial reports for members of the PAC Contributions Committee.
4. Prepares agenda for quarterly meetings of Contributions Committee; records and reports minutes of those meetings.
5. Handles investment of excess PAC funds in short-term money market securities and maintains all records associated with the investment. With guidance from Tax Department, incumbent prepares and files appropriate tax forms with the Internal Revenue Service.
6. Assists supervisor in the preparation of the [Company Name] *PAC Report*. Assembles and edits copy, secures approvals, and arranges for production and distribution.
7. Assists Government Relations department by providing research services on such individuals, where requested. Maintains appropriate files on candidates.
8. Maintains the PAC administrative budget.

The incumbent, at the discretion of the Contributions Committee chairman, may serve as an officer of the PAC.

The incumbent will maintain close surveillance of the Federal Election Commission and state election agencies to insure high standards of compliance with these agencies' regulations. However, he/she will submit all recommended changes to practices to his/her supervisor for action.

The Administrator supports the Key Contact program by providing the following services:

1. Maintains central files on all state and Federal legislative issues, Congressional communications, and Key Contact activities.
2. Schedules and coordinates with outside firms all Key Contact meetings and seminars; arranges accommodations, meals, transportation, and related services, as needed.
3. Maintains Key Contact manuals and related documents. Insures current status of all dated material and initiates action to obtain current material, *e.g.*, legislative contact lists, addresses, committee assignments, *etc.*
4. Prepares and/or obtains audio visual material for training sessions.
5. Provides other support services to Key Contact for such projects as plant tours and visits, voting records, *etc.*

The incumbent shall assist his/her supervisor in such other government relations programs as may be developed and assigned in the future.

Administering a PAC involves meticulous record-keeping, and about one-third of the respondents regard this function as one of their primary duties. Table 7 presents the most frequently mentioned duties that PAC managers report.

A majority of the firms surveyed do not have a separate job description for their PAC administrators, and the duties are often described in the overall job description for public affairs and/or government relations executives. In some instances, however, there is a formal job description (Exhibits 4 and 5).

Table 7: Duties of PAC Managers (N = 162; multiple responses)

Duty	*Percent*
Solicitation of funds	56%
Candidate evaluation, selection and contribution	41
PAC management	35
FEC record-keeping	33
Internal financial management	28
Preparation of reports to members	21
Chairing PAC committees or subcommittees	9
Other	7

Other Officers' Duties

The Federal Election Commission does not require that PACs have formal slates of officers. It does, however demand that they have a treasurer and that this individual submit prescribed reports to the Commission. But most PACs also have a chairman, a deputy or vice chairman; many have a secretary.

PAC titles do not necessarily correspond to corporate positions. The members of the PAC group of officers can be drawn from nearly any sector of the corporation. But in larger firms it is almost certain that the company's general counsel, or a representative from the corporate legal department, will be one of the officers of the PAC. This most likely reflects the sensitive nature of PAC operations and the company's

Exhibit 5: Job Description: Part-time PAC Manager—Consumer Products Company

Public Affairs Department:
Manager, Legislative Affairs

State Legislative Responsibilities.

- Monitor legislation that would affect company—taxes, product liability, over-the-counter drugs, labeling requirements, plant closing restrictions, toxic substances, patent term restoration.
- Advise management about such legislation.
- Testify at public hearings.
- Contact federal and state officials regarding legislation.
- Develop political awareness programs for employees.
- Inform and encourage employees to act on selected issues—through state issues newsletter, memos, bulletin board announcements.
- Represent company at public affairs association meetings.

Although the focus of most state activity has been [Company Name], action in other states will increase as the president's "new federalism" programs are implemented.

- Administer the company's Political Action Committee.
- Research and prepare data for use by the selection committee to determine who receives PAC funds. The material used includes voting records, policy statements, newspaper and magazine articles, etc.
- Distribute contributions to recipients.
- Write, prepare for printing, and arrange distribution of all solicitation materials, newsletters and annual reports.
- Plan agenda and keep minutes of PAC meetings.
- Maintain PAC files.
- Plan congressional visits to company facilities.
- Write and arrange distribution of public affairs newsletter.
- Prepare policy statements on selected federal issues for top management.
- Represent PAC at national public affairs association meetings, National Association of Business PAC's, Business/Industry PAC, etc.
- Monitor selected federal campaigns.

desire to make certain that the PAC is conforming to the strictures of the Federal Election Commission. The same general rationale also accounts for the relatively high incidence of corporate financial officers on the PACs. The fund-raising and distribution function is an area of natural interest to such corporate officers.

The Federal Election Commission requires that the PAC treasurer be responsible for keeping copies of all statements and reports, together with pertinent back-up records for the corporate PAC. Other than this requirement, there is no set task that each PAC officer is required to perform.

Duties of the PAC Chairman

Most often, it is the chairman who is responsible for overall administration, the convening of meetings (usually held on a monthly or quarterly basis), the appointment of officers, the receipt and disbursement of funds, supervision and control of all business affairs, and the appointment of other members to the committee. The description of duties below are typical of those required of a corporate PAC chairman:

> "The chairman shall be the chief executive officer of the PAC and shall preside at all meetings of the committee or members. The chairman shall have the power to receive all contributions, and to agree to any contributions or limitations thereof."
>
> **a drug retailer**

> "The chairman shall be the principal executive officer of the PAC and shall supervise and control all of the business and affairs of the PAC. Subject to the determination of the Contribution Committee as provided in article VIII, the chairman shall: administer the financial affairs of the PAC, preside at all meetings of the PAC, and execute such powers of attorney as appointing other corporations, partnerships or individuals the agent of the PAC as he deems necessary for the efficient operation of the PAC."
>
> **a motor trucking firm**

> "The chairman shall have general and active management of the affairs of the committee and shall preside over the meetings of the committee. The chairman shall have the power and the authority to do any and all acts and things necessary, useful or incident to the purpose of the committee including, to the extent permitted by law and regulation, the collection and expenditure of funds, the determination of who shall be solicited, the means of collection, and the choice of recipients of funds."
>
> **an electric utility**

While in a small number of companies the chairman reports to the board of directors, in more than half of the firms the chairman reports to the president or CEO on PAC matters. (See Table 8.)

Selection and Appointment of Employees to PAC Positions

In two-thirds of the companies studied, there is a specific selection or appointment policy or procedure for designating PAC officers, as well as managers or governing boards. The most frequently employed practice is for a designated senior executive, usually the president or CEO, to appoint certain individuals to be officers or managers of the PAC (see Table 9). In one-quarter of the cases, these individuals are ones who fill designated positions within the corporate structure, such as vice president of government relations, public affairs,

and so forth. Key PAC positions are open to volunteers in less than 10 percent of the cases in this sample. While PAC board members or officers may ratify the appointment of PAC executives, interviews indicate they are largely ratifying the choices of senior management rather than participating in a democratic selection process. This became evident during the interview process.

When asked to designate which criteria are most important in selecting officers, governing board members, and PAC managers, the two most frequently mentioned are the individual's corporate position, and interest in political affairs. (See Table 10.) While it is not essential for members of the governing board to have expertise or experience in the political process itself (e.g., as a former office holder or campaign worker), such experience is cited as having some importance in the selection of officers, and becomes increasingly significant when applied to the selection of PAC managers.

Where they happen to be located geographically (i.e., whether they are in Washington or at corporate headquarters) appears to be a lesser consideration.

PAC Committee Structure

In general, corporate PACs are not complicated by a proliferation of committees. A majority have only one, a governing board or policy-setting committee. But some firms do have committees that focus on two other aspects: the solicitation of funds from employees and the selection of political candidates for PAC support. The employee-solicitation committee usually has two to four members, whereas the candidate-selection committee ranges in size between five and ten members for most committees, with an average size of six members.

In four out of five cases, however, there are no separate committees for fund solicitation and candidate selection. In these

Table 8: Reporting Relationships of PAC Chairman (N = 173)

Title	*Percent*
President, CEO	53%
Vice Chairman, Executive or Senior Vice President	12
Board of Directors	6
General Counsel	6
Corporate Staff (Administrative)	4
Public Affairs Executive	4
All Other (Vice President, Government Relations, Secretary/Treasurer, and Other Corporate Officers)	15
	100%

Table 10: Criteria in Selecting or Appointing Employees to PAC Positions

	Frequency of Mention (multiple responses)		
Criterion	*Officers*	*Governing Board*	*PAC Manager*
	(N = 158)	*(N = 120)*	*(N = 113)*
Interest in PAC or the political process	64	71	55
Corporate position	67	53	56
Expertise in or experience with the political position	49	37	60
Geographical location	25	35	12
Divisional location	19	29	5
Departmental location	19	15	19
Other	3	3	3

Table 9: Selection or Appointment of Employees to PAC Positions

	PAC Position				
	PAC Officers		*PAC Governing Board*		*PAC Manager or Administrators*
How the Position is Filled:	*Chair*	*Other*	*Chair*	*Other*	
	(N = 181)	*(N = 137)*	*(N = 93)*	*(N = 101)*	
(1) Selection is at the discretion of:					
(a) The corporate board of directors	11%	8%	8%	7%	5%
(b) A senior corporate executive	41	45	41	43	34
(c) A PAC officer or board member	6	7	9	14	15
(d) Other	11	15	9	9	8
(2) Specific designated employee(s) hold these positions (i.e., the position is always held by an employee with a specific corporate title)	24	15	25	23	35
(3) The positions are open to volunteers	7	11	8	5	4
Totals[a]	100%	100%	100%	100%	100%

[a] Details may not add to 100% due to rounding.

cases, the duties are primarily assumed by the PAC chairman, the treasurer, or the policy-setting unit of the PAC. The latter group becomes most active when it comes to the issue of selecting candidates for PAC support. (See Table 11.) In nearly half the instances studied, the chairman, steering committee, or executive board has the final say on which political candidates will be *selected*. The distribution of the authority on final *ratification* of candidate selection is shown in Table 12.

Table 11: Functional Responsibilities in PACs Without Operating Committees

Person or Unit Responsible for Function	*Employee Solicitation*	*Candidate Selection*
	(N = 103)	*(N = 82)*
Policy-setting Unit	17%	34%
PAC Chairman	28	17
Treasurer	16	11
Manager or Coordinator	12	9
Secretary or Treasurer	5	5
Secretary	4	4
Vice or Deputy Chairman	4	4
Other[1]	16	16
	100%[a]	100%[a]

[1]Includes officers, assistant treasurers, etc.
[a]Details do not add to 100% due to rounding.

Table 12: Person or Unit With Final Authority for Selecting Political Candidates

PAC Position or Unit	*Percent*
Chairman	20%
Entire Committee	17
Steering Committee	12
Executive Board	9
Governing Board	9
Selection or Contributions Committee	4
Officers	4
Trustees	4
Other[1]	20
	100%[a]

[1]Includes directors, treasurer, manager, advisory board, etc.
[a] Details do not add to 100% due to rounding.

Chapter 5

Raising and Accounting for PAC Funds

IT HAS BEEN SAID OFTEN—and correctly—that corporate PACs are not truly representative of all of a company's employees because their contributors tend to be concentrated in management—and primarily upper management. Regulations permit corporate PACs to obtain their money from stockholders, officers of the corporation, managers and hourly employees. They are, for example, permitted to solicit the nonadministrative, nonexecutive level of the company twice a year. But companies report that very few make a concerted effort to solicit lower-level employees, nor do they solicit stockholders.

The companies in this reponse group believe that the expense of soliciting stockholders probably exceeds the benefits gained. Many stockholders own stock in a variety of companies and PAC managers have no way of determining whether their political interests coincide with those of the corporate PAC. As far as lower-level employees are concerned, PAC managers point out that many of these employees belong to unions and the unions have their own PACs. Of more importance, they doubt whether they could obtain significant moneys from such employees.

The survey data show that a majority of firms solicit money from all of their executive and administrative personnel. In 1982 and 1983, three-quarters solicited funds from more that 80 percent of such employees (Table 13). In general, the PAC managers say, the proportion of those contributing has remained fairly stable since the PAC was founded.

Which Employees to Solicit?

To a certain extent, the rules governing which employees can be solicited for PAC contributions are set by Federal Election Commission regulations. But the regulations are broad enough to provide for significant opportunities for those making the solicitation decision to expand the contributions base. This solicitation decision is usually made by the PAC governing board or by the president or chairman of the company (Table 14.) In making decisions as to which classes of employees to select or, more particularly, in deciding which executive and administrative personnel to solicit, the PAC governing board or the company president primarily considers the grade level or organizational position of the individuals; 68 percent of the respondents report this. Salary considerations are taken into account by 20 percent, while just 5 percent use only the FEC definitions. Occasionally, factors such as the functioning responsibilities of the individuals, or their areas of political or social interest, are considered. But the selection process is not as thoughtful as it might appear since, in practice, two-thirds of all the companies questioned say that they solicit all levels of administrative and executive personnel (Table 15).

Table 13: Proportion of Executive and Administrative Personnel Contributing

	Percent of Response		
Proportion Contributing	*Year PAC Founded* (N = 116)	*1982* (N = 138)	*1983* (N = 138)
1-10%	28%	24%	23%
11-20	22	25	19
21-40	20	26	30
41-60	11	10	9
61-80	8	6	9
81-100	12	9	9
	100%[a]	100%	100%[a]

[a]Details do not add to 100% due to rounding.

Table 14: Who Decides Which Employees to Solicit (N = 186; multiple responses)

Decision Made by	*Percent*
PAC governing board	53%
President, Chairman, CEO	30
PAC Chairman	18
Other senior corporate executive	10
Legal Department or General Counsel	5
Other PAC committee	4
Corporate board of directors	3
Other	17

Solicitation Statements

The following excerpts from the solicitation brochures of corporate PACs are typical in their emphasis on the voluntary nature of contributions.

"Q. Is the PAC completely voluntary?

"A. Yes. Your decision to participate is entirely a personal one. The company will not favor or disadvantage anyone based on his or her decision whether, or how much, to contribute. Measures are taken to avoid even the appearance of coercion, such as prohibiting managers from soliciting any subordinate and keeping all records confidential except for legal filing requirements. No direct or indirect pressure to contribute will be condoned by the management of our company or by the board of directors of its PAC."

an insurance company PAC

"Participation is completely voluntary. Any employee who feels he or she was coerced in connection with participation in the [Company Name] PAC may file a complaint in writing to the senior vice president and general counsel of the corporation, and to the chairman of the citizenship fund.

"All complaints should specify the details of each occurrence as well as the people involved. Upon receipt of a complaint, the general counsel shall cause an investigation to be conducted.

"If the investigation reveals coercion was present, the general counsel shall direct the chairman to return the full amount of such contribution to the contributor and shall disclose the results to the chief executive officer."

a paper manufacturer's program description

"Am I required to participate?

"No. The PAC is a completely voluntary program. The Federal Election Act is specific about this and states that it shall be unlawful 'for any person soliciting an employee for a contribution to such fund to fail to inform such employee. . .of his right to refuse to so contribute without any reprisal.' Your participation and the amount you choose to contribute are entirely your own decisions."

a bank's description of its PAC

"The PAC may solicit only directors, shareholders and salaried executive and administrative employees as defined by the Federal Election Commission. Solicitations may take the form of letters, group meetings, presentations and other media, and may be conducted on a periodic basis.

"To ensure the voluntary nature of the program, legal safeguards are built into the program's by-laws:

(1) No superior should solicit a subordinate.

(2) Any solicitation should inform the solicited employee of the political purposes of the PAC.

(3) Any solicitation must assure the solicited employee that all contributions are strictly voluntary and that a refusal to contribute will not result in a reprisal of any kind."

a textile manufacturer

Record-Keeping and Confidentiality

The Federal Election Commission requires that PACs file lists of employees contributing $200 or more. These records are open to public inspection at the FEC headquarters. But beyond such required listings, companies make a purposeful attempt to restrict access to the list of contributors and the amounts contributed. In three-quarters of the firms surveyed only the PAC treasurer, or perhaps one or two other employees, have access to these lists. Table 16 describes the company employees having this access. Two of the companies studied report that not even the PAC treasurer has access to such documents. In another company, while the PAC chairman has such access, he reports that he has never looked at the list.

In a few companies, however, secrecy is not the rule. Three of those reporting say any manager can have access to the list

Table 15: Grade Levels Solicited (N = 137)

Level	*Percent*
All Levels of Administrative and Executive Personnel[1]	66%
Middle-Level Executives and Up	18
All Levels of Executives	10
Only Senior-Level Executives	4
Other	2
	100%

[1]As interpreted by the FEC and/or company's legal advisors.

Table 16: Employees, Beyond PAC Treasurers, Having Access to List of PAC Contributors (N = 175)

Employee (or unit)	*Percent*
Accounting, payroll, computer and clerical staff *only* (non-PAC)	30%
PAC Chairman or PAC Manager[1]	26
PAC Officers or Governing Board	11
Public Affairs and/or Government Relations Executives	10
Senior Executives of Company[2]	7
Other PAC Officers	16
	100%

[1]May include clerical staff.
[2]Includes chairman, president, executive committee of company board of directors.

and that any PAC contributor may examine the reports the company files with state or federal election commissions. In order to allay suspicions of coercion and to ensure confidentiality of donors—and nondonors—statements like this are not uncommon:

> **"Q: Will the company know whether or not I have chosen to make contributions?**
>
> "A. Records involving names of contributors and amounts contributed will be maintained only in the government and investor relations departments, the offices administering the PAC. Where payroll deductions are employed, the payroll department will also keep required records on a confidential basis. No report will be made to others in the corporation concerning any individual's contribution decision. [Company Name] PAC records containing lists of contributiors will appear in the public reports of the PAC required to be filed with state and federal agencies.
>
> **"Q. Why can't my decision remain absolutely confidential?**
>
> "A. Absolute confidentiality is not legally possible. Federal law requires that the identities of contributors be made known to each candidate and the Federal Elections Commission. Many states have similiar requirements."
>
> **from an insurance firm's PAC brochure**

Ensuring a Voluntary Contribution

A majority of the companies surveyed indicate that they are aware of the negative implications that could arise out of the possibility that contributions to PACs might be regarded as "involuntary." As a result, many have attempted to build in safeguards so that employees are not coerced, or do not *feel* coerced, into contributing. To begin with, these firms insist that all verbal and written solicitation materials emphasize the voluntary nature of the contribution. In order to reduce possible superior-subordinate pressure, the majority of plans also prohibit the solicitation of a subordinate by a supervisor. The preferred method of corporate solicitation—the one found most effective—is direct-mail, usually interoffice letters or memoranda to request contributions. Personal, face-to-face solicitation runs second, while telephone solicitation is rarely used.

A few firms have attempted to go a step further and encourage employees who may feel coerced by requests for contributions, to report such coercion. One firm indicates that it has established a formal complaint procedure, which is explained in its contributions brochure. In addition, a number of the companies studied say that they follow the "model" procedures suggested in various trade and nonprofit business association guidelines, such as those prepared by the Public Affairs Council, a professional association.

As already indicated, most solicitations are made in memorandum or letter form. In a majority of cases, these letters are from the CEO. But many firms aiso use solicitation letters from the PAC committee and nearly two-thirds have group solicitation meetings that are addressed by a senior executive and/or a PAC committee member. In about a third of the companies middle-and upper-level managers are approached personally by executives seeking contributions to the corporate PAC. But the most effective solicitations, corporate PAC managers say, are those appeals coming directly from senior executive officers or members of the PAC committee itself.

How Much to Solicit?

Deciding what is an appropriate amount to solicit is one of the stickier questions that corporate PAC managers must face. Three-fifths of the companies studied say that they provide potential contributors with a "contributions guideline." As might be expected, these guidelines are normally drawn as proportions of the contributors' base salaries. In that respect, they are not different, in principle, from the tithing guidelines that are used by some religious denominations. And, not surprisingly, because of their higher base salaries, the most senior executives contribute a greater portion of the PAC money in many firms.

While most corporations say that whether or not—and how much—to contribute is "your decision", they still continue to provide guidelines. One-half to 1 percent of yearly salary is a very typical answer, but then again, so is "any amount that will be constructive."

Guidelines for Contributors

The typical guidelines that follow are taken from PAC solicitation brochures that companies use to describe the amount potential contributors may wish to provide to their corporate PACs.

"Q. Is there a recommended amount to contribute?
"A. No. In keeping with the strictly voluntary nature of the PAC, the amount of any contribution is an individual decision."

an industrial products manufacturer

"Q. How much should I contribute?
"A. That is entirely your decision. Any amount will be a constructive way for you to participate in the election process. You should be aware that current federal tax law permits a tax credit of one-half of contributions up to $200 in contributions for a joint return, or $100 for an individual return."

an insurance company

"Q. If I decide to contribute, how much should I give?
"A. This is again up to you, but a suggested amount is one-half of one percent of your yearly salary."

an industrial goods manufacturing firm

"Q. How much should I give?
"A. This is entirely your decision. Contributions in other corporations range from about one-half of one percent of any employee's income to the maximum amount allowed by law ($5,000 in any one calendar year). This, however, is only a guideline. A person may contribute more or less than this suggested guideline. The company will not favor or disadvantage anyone by reason of the amount of his or her contribution or decision not to contribute."

a building products manufacturer

The following table is taken from a forest products firm's political action committee's enrollment card:

Suggested Participation Guide

Annual Salary	Percent of Salary
Up to $23,000	0.5%
$23,000 to $28,000	0.6%
$28,000 to $33,000	0.7%
$33,000 to $40,000	0.8%
$40,000 to $48,000	0.9%
$48,000 to $58,000	1.0%
$58,000 to $72,000	1.2%
$72,000 to $92,000	1.4%
$92,000 to $102,000	1.7%
Above $102,000	2.0%

"This guide is provided in response to prior participant requests. The amount you choose to contribute is a personal decision."

Chapter 6

Selecting Candidates to Support

A MAJORITY OF the corporate PACs studied for this report apply fairly well-defined criteria in choosing political candidates to support. The candidates' prior voting records and known positions on issues, plus their previous support of—or opposition to—specific issues, rank high in the selection process. But there are pragmatic considerations as well, such as whether or not the candidate is a chairman of a key congressional committee of interest and concern to the corporate PAC. Nine out of ten PAC managers rate the latter consideration important, and FEC data on contributions to such legislators tend to confirm the importance of this rating criterion.

Up to the 1984 elections, corporate PACs had been labeled by some as "partisan to the Republican party." FEC data confirm that a majority of corporate PAC money tended to go to Republican candidates. But this was far from a universal practice; incumbents, committee chairmen, and local representatives received corporate PAC money regardless of their party affiliation. And more than eight out of ten firms in this sample do not consider party affiliation as a primary selection criterion. It may happen that conservative candidates—be they Republican or Democrat—tend to receive corporate support more often than do their liberal counterparts. But this may well reflect the variation in voting records and known positions on issues, rather than a Republican or Democratic label—or even a conservative or liberal label.

Legislators are also pragmatists and, when the occasion demands it, even the more liberal legislators may adopt a conservative, pro-business stance if important business constituents in their home districts argue for such positions. Conversely, generally conservative and pro-business legislators may embrace relatively liberal, consumerist positions when it is evident that to do otherwise would be to court electoral disaster in their districts.

In the 1984 election, corporate PAC support leaned toward incumbents, with Democrats receiving funds almost on a par with Republicans. According to the FEC, business interests had contributed $20.7 million to Democrats against $23.6 million to Republicans by Election Day 1984. (See Exhibit 6.) PACs associated with corporations, trade associations and related groups provided almost half the total PAC support to congressional campaigns—$126.8 million of the $269.2 million spent or available to spend by Election Day.

Exhibit 6: Campaign Money: Who Gives It and Who Gets It

Cash and contributions in kind, in millions of dollars, for each type of political action committee, from Jan. 1, 1983, through the most recent Federal Election Commission computerized report, which was made available Oct. 29. Of the reported independent spending, $7.8 million was in behalf of Republicans or against Democrats.

	Cash spent or on hand	Given to Democrats	Given to Republicans	Independent spending
Business	$126.8	$20.7	$23.6	$0.1
Labor	52.1	14.7	1.0	0.1
Conservative	49.6	0.4	2.4	8.0
Liberal	31.5	2.7	0.3	0.1
Other	9.2	1.6	0.5	0
TOTAL	$269.2	$40.1	$27.8	$8.3

Source: *New York Times*, November 6, 1984.

Earmarking

Approximately one-third of the PACs studied indicate they permit contributors to "earmark" their funds for the support of specific candidates or parties. But only one in ten firms actually encourages such earmarking. This does not necessarily mean that corporate PACs are disdainful of employee-contributors' political preferences. Of the firms that do not permit earmarking of funds, nearly four-fifths say they actively encourage employee suggestions about candidates or parties to support. They provide suggestion forms or employee response letters and encourage preference statements in informal discussions held with contributor groups.

The stated reasons for not allowing earmarking tend to focus on administrative, rather than philosophical, reasons. About four in ten of those firms not permitting earmarking say their biggest difficulty is with the administration of such plans. Trying to keep track of, and properly route, funds to dozens or hundreds of political candidates, even with the advantage of computerized record-keeping, is a task that seems to most PAC managers more trouble than it is worth.

However, about one-quarter of those questioned also say that there might be instances where individuals' political preferences would be in conflict with the philosophy and policies of the company. It is potentially embarrassing to send money to a candidate who does not fit the criteria of the selection committee. In addition, there is the possibility of gifts being earmarked for *both* major party candidates, looking at best like hedging one's bets, and at worst like influence-peddling. As already noted, the chairperson, steering committee, or executive board of the PAC has the final say on the allocation of funds, covering disbursements to political parties, individual candidates, and other committees.

Chapter 7

Rating PACs' Effectiveness

IN ORDER TO DETERMINE whether or not PACs make a difference in firms' political and government relations efforts, 20 in-depth interviews of key PAC managers were undertaken. In some cases the personal interviews produced comments that appear to contradict some of the survey findings. The researchers assume these to be incidents and issues where actual company practice does not necessarily follow company policy—a finding of some interest in itself.

While both critics and supporters have said that PACs are enormously effective and important, all 20 PAC managers interviewed disagreed. While the managers recognize the pressure on them to gather large amounts of money, they observe that the role of individual corporate contributors to candidates remains rather small. There is general agreement that the PAC system is beloved by many members of Congress because, the executives reason, the broader the base of support the less accountability there is to individual campaign contributors.

The manager of an energy-producing company's PAC, one of the largest in the country, says, "There are two messages. When we solicit members we tell them their contribution makes a tremendous impact. But between us, it doesn't. It [the contribution] wouldn't even rent a vote, much less buy one."

Much attention has been paid to the role and impact of PACs by both citizens groups and the media. Those critical of business PACs typically link them to PACs formed by industrywide associations, professional or labor groups, and ideologically unified organizations. Without question, the aggregate amounts coming from all PACs are formidable. But when the business PACs are separated out and examined, the donations such PACs make to individual candidates are generally modest in size, and their impact is watered down even further by the business community's diverse—and often contending—views on issues. A finance company treasurer believes, "The business communities [views] are fragmented. My firm and our principal competitor (two companies in nearly the same business) have been split on almost every issue."

While Exhibit 6 (page 19) groups corporate PACs with other business interests in an analysis of FEC data for the 1983-1984 election cycle, the *National Journal* showed corporate PACs alone contributed $38.8 million, or 34 percent of $112.6 million of PAC funds spent on congressional and presidential candidates. However, no corporate PAC appeared in the list of biggest spenders as compiled by the *National Journal* for the same analysis.[1]

When asked about the general effectiveness of their PACs, the responses varied widely. Three managers, representing companies that were demoralized because of poor earnings or recent management problems within their organizations, agreed that their PACs' ineffectiveness reflected the lack of participation by corporate leaders. The legal counsel of one textile producer, reflecting his firm's position said, "Our company has retrenched drastically in the past two years. There has been a salary freeze in the last few months. Therefore, there has not been an enthusiastic response to recent solicitations." He pointed out further, "Our weakness is that no top executives are solicited—no one above the $20,000 salary level."

About one in three of the PAC managers interviewed believes that PACs are generally not effective and that the contributions have only a minimal political impact, if any impact at all. Typical views include:

> "I used to think PACs were terribly important. Before I took over our PAC, I was highly critical of the system. But now that I manage one, I don't believe our company contribution has nearly the impact I once thought it had."
>
> **a finance company**

Several of the managers interviewed are convinced that "votes are more effective than dollars." These comments came in response to questions regarding the treatment of different income groups inherent in PACs. For example, low income people do not make political contributions—thus, how can they be heard? The public affairs director of a defense contractor replied, "A lot of *media* attention is paid to issues involving low income people. Besides, there are a lot more effective ways to influence Congressmen than PACs—if you can prove something else will get them more votes. Five thousand letters represent more votes than $5,000."

[1] The *National Journal*, June 15, 1985 (page 1429).

Table 17: PAC Activity of Companies Interviewed

Company	Number of Employees (in thousands)	Number of PAC Members	Percent of Solicitation Base[1]	Money Raised (in thousands) 2-year 1983-84 Election Cycle
A	85	700	10%	$165
B	70	300	75	160
C	65	2,200	14	256
D	40	2,816	20	653
E	38	5,200	65	70
F	35	1,600	37	191
G	28	300	21	19
H	25	2,925	39	278
I	25	1,000	8	226
J	20	1,500	29	190
K	18	593	13	65
L	17	201	40	29
M	16	300	14	103
N	15	600	15	66
O	10	104	57	40
P	9	104	7	24
Q	8	1,000	66	228
R	6	24	13	7
S	5	63	8	29
T	1	150	50	28

[1]The permissible base for solicitation for PAC memberships is described below.

Some of the managers also believe that a skilled lobbyist is a more effective political tool than a PAC. Not surprisingly, the people holding this view are now, or have been, corporate lobbyists. Among the comments offered:

> "Personally, I don't feel that most corporate PACs distribute funds effectively. In an effort to please everybody, they tend to give relatively small contributions to too many candidates. I do not feel that PAC contributions buy access or votes in most cases. It is a very expensive corporate activity and the money spent to administer it could be put to better use in direct lobbying activities."
>
> **a telecommunications firm**

> "PACs are important for doing business. They're a useful tool. But, an irreplaceable tool? No. You are not buying anything with your PAC money, but your lobbyists would be at a disadvantage if, after working for seven months with a staffer on a bill, the lobbyist (when approached for support) turned around and said: "Sorry, we don't give to political campaigns."
>
> **a pharmaceuticals firm**

One in four of the managers questioned view their firms' PACs as a positive force—a vehicle for communication, an opportunity to conduct political education programs, and a true grass-roots reform movement. These executives are very proud of their PACs. According to the respondent from one cosmetics company: "The criticism is unjustified. Employees are contributing, not the corporation. PACs are people."

Solicitation Procedures and Costs

PAC executives were asked about the number of contributors in each PAC and to describe their firm's solicitation base. The membership rates ranged from 7 to 75 percent of the employees solicited. Table 17 summarizes the PAC membership characteristics of each of the companies interviewed. In the table, a company is identified by a particular code letter, followed by a compilation of the number of employees, number of PAC members and the membership as a percentage of solicitation base, as well as the amount of money raised.

The solicitation techniques used varied significantly, but employee meetings are thought to be one of the most effective. In most cases, these meetings are held on company time. No records of the expenses incurred by the meetings are kept. However, if employees engaged in government contracts are involved, the meetings are typically held at lunchtime. More than one manager commented that long-service employees tend to respond well to solicitations, but that younger technicians and some professionals do not seem to identify with the company—and its political aspirations. "Discipline is a factor in solicitations," an oil company executive says, "as is the relationship with the supervisor." But the executive points out, "People with transportable skills — lawyers, accountants, and the like—are not as responsive as those who consider themselves oil company people."

When questioned about the administrative costs of their PACs, 10 of the 20 managers interviewed either could not respond to specific questions or said that all costs were absorbed and, therefore, data were not available. PAC adminis-

trative costs are, by law, permitted to be paid out of corporate funds. Nonetheless, some managers do keep records of administrative costs. Among these, only four of the PACs have administrative costs of less than 25 percent of the total of all funds raised. Several PACs have costs of 45-55 percent and three admit to costs of over 100 percent of the funds solicited. The interviewers often heard the PAC managers question the wisdom of their own companies' PAC efforts. For example, one asked:" Given the 25 to 50 percent administrative costs of raising PAC money, would companies tolerate such cost-benefit ratios in other areas of their operations?"

PAC Money and Legislative Activity

The interviewers asked the PAC managers if they could provide an example of the effect of the firm's contributions on any piece of legislation. While there was no question that PAC money has changed the way political campaigns are financed, there was also no evidence in this study of a link between a pattern of giving and significant legislative influence. PACs obviously would like to influence congressmen, but the question of whether or not they are successful is just beginning to be addressed in a scholarly fashion. The managers certainly do not see their PAC contributions as influencing the outcome of legislative deliberations—although, as one manager commented: "No one would admit it if they did."

More than half of those interviewed responded to the proposition that PACs affect legislation with a flat "no", but a fifth provided positive reponses. Sample responses included the following observations:

> "You pick the candidates and the issues take care of themselves. On-the-ground lobbying is more important. People who know their business approach a legislator reasonably. We won't bother to try to gain support from people whose position is not ours already."
>
> **a finance company public affairs manager**

> "PAC dollars certainly didn't help us when it came to the excess profits tax. There are some people in the company who believe that Congress should get their permission to vote—and were surprised when Congress didn't."
>
> **an oil company PAC executive**

When questioned as to whether or not a company's access to legislators had increased as a result of PAC contributions, the majority of those questioned responded affirmatively. The others explained themselves by saying that their access was already excellent. Typical of the latter group were those who reported that:

> "We have access anyway. In a congressional district where we employ 4,000 people, we didn't need a PAC for access."
>
> **a telecommunications company**

> "The access rationale is vastly overrated. Our access is as good with people we have not necessarily supported."
>
> **a chemical company**

Effects of PACs on Access to Congress

Many congressmen and senators claim that support funds do not radically affect their availability to constituents. But common sense and experience, executives say, prove otherwise. A comment heard at one fund-raiser is indicative of Congress's attitude toward PAC money:

> "My door is always open, but for you folks who came this morning, it will be open just a little wider."
>
> **an unnamed Congressman**

Other Benefits

Some managers took a pragmatic view and saw their PACs as part of a larger picture. A manufacturing firm's public affairs director notes, "All that PAC contributions buy are sympathy and interest in the position of business. Competing interests are still alive and well. Take a look at the halls outside a floor vote. They're clogged with industry people both for and against the vote." He says further that, "Well-run PACs don't call in their chits for a tight and tough vote."

One manager reports the presence of their PAC makes a Washington office possible: "We keep a Washington identity although there is no perceived need. We do not have major issues before the Congress. If we didn't have a PAC, we wouldn't have a D.C. office; it's part of the scene. Our Washington rep's phone calls would not be answered if she weren't there with a check."

There were several unexpected observations. One manager appreciated the opportunity that fund-raisers provide for being seated next to someone influential he might never have met otherwise, and of having an opportunity during such events to present his company's philosophy. Another manager described his access to Congressmen as more effective than to Senators because his company's facilities are located in out-of-the-way districts where his firm is the primary local employer—and contributor. Lastly, one manager cited an indirect effect: An influential Senator—supported by the manager's PAC—assisted her with legislation not before his committee. The prestige of the Senator's office opened doors and helped her to meet other representatives.

Several managers found that, as a result of their PACs, their firms' employees had become more politically active. Several of these employees were now running for local office.

All the managers interviewed regard their PACs as a good business practice, one that embellishes their firm's performance in a manner similar to a good public relations effort. One manager, in a firm he describes as generally "demoralized," saw his PAC as a mechanism for change, a way to improve morale. Another manager, from a personal products firm, viewed his company's PAC as giving his organization a competitive edge, saying, "It's a part of competition in business. It's necessary for us to compete in the marketplace—and the Washington, D.C. marketplace is PACs. For us, it is

a marketing tool. We can't elevate our special events budget to compete with [names of competitive companies] for good corporate public relations."

Candidate Selection

When questioned regarding candidate-selection procedures, the PAC managers interviewed responded with practices considerably more varied than the survey material revealed. There was no discernible pattern to the source of recommendations or the selection process. Some PACs' methods were quite informal; others employed a standardized procedure. Some managers relied to a great extent on prior support and relationships. For others, meeting the candidate face-to-face was a very important part of the selection procedure.

A forceful Washington, D.C. office may generate recommendations with a strong federal bias; often it may not. "Nominations are accepted from any member. There is no formal process," a telecommunications company executive states. "For the three years prior to the 1984 election, the bulk of recommendations for support came from the Washington, D.C. office; now they come from the field. We have been working toward the encouragement of local participation in the selection process."

Eight of the 20 managers interviewed rely heavily on their Washington offices for recommendations. Another seven report that most of their recommendations come from the field and are supplemented by Washington office opinion, the view of local representatives, state lobbyists, and headquarters personnel. A few managers relied exclusively on their PAC committee and one firm relied solely on recommendations from headquarters. Slightly more than half the managers made use of rating services offered by the U.S.Chamber of Commerce, the National Association of Manufacturers, and BIPAC—although the bias of these services was recognized.

In general, candidate selection is determined by a variety of issues: in particular, the candidate's economic principals and, most often, his or her perceived position on business in general. Other issues include:

- Position on key industry issues
- Committee assignments
- Congressional leadership position
- Membership in a regional delegation
- The company's presence in the candidate's district or state

Social issues were not always among the criteria, but they did appear sporadically. One company had a clear-cut policy of not considering social issues at all, while several others looked seriously at the candidates' positions on civil rights, equal employment opportunity, job training and immigration reform. One PAC tried not to judge a candidate on a single issue:

> "In fact, we will support a candidate who does not support our company on a particular issue if that candidate provides constituent services in an area where we have a physical plant."
>
> **a pharmaceuticals company**

One manager reports that employees in a 6,500-person company facility located in a western state had become so involved in local politics that he suggested they make their contributions directly to the local candidate of their choice, rather than to the corporate PAC. Even though this reduced the manager's year-end contribution totals, he felt the local contribution to be a more appropriate reflection of the employees choice.

What came through over and over again was the importance of good feeling, of old loyalties—qualities that do not lend themselves readily to quantification. The interviewers often heard, "If you pick the candidate, the issues will take care of themselves." All of the managers interviewed were pro-business, yet most candidate-support decisions were made on a case-by-case basis. One PAC, for example, supported a local anti-abortion candidate, but chose not to support Senator Jesse Helms who was outside their state. Another PAC stayed out of a fight in a district in which the company has a large facility because they were not impressed by either candidate.

Most of the PAC managers interviewed supported bipartisan contributions, but believed personally that it was in their interest to elect Republicans. Most of the nonpartisan contributions were made in the industry's interest. A business PAC will occasionally contribute to a very liberal candidate because its lobbyist works well with that person. One PAC finds itself contributing to candidates who do not support specific legislation important to the company because the company itself is so highly diversified; the collective legislative interests of its subsidiaries are not always in agreement.

A quarter of the managers interviewed actively support nonincumbents, but usually only in locations where they have facilities. One executive observed that:

> "There is a little more action in open races, and we tend to support them rather than challenges. Our committee is split almost evenly four to three between the wish to challenge and the desire for access."
>
> **a telecommunications firm**

There were some idiosyncrasies associated with certain companies and their contribution philosophies. One company does not give "early money," especially in Southern Democratic races where, they point out, there are as many as twelve candidates in a primary. Other companies, however, believe "early money" is a gamble that pays off with the gratitude of the candidate. Two companies were firm in not giving money to sure winners. They will not provide support to a candidate who does not need it. One of the largest PACs interviewed has a practice of sometimes contributing to

Table 18: By Company: PAC Funds Received and Distributed and the Nature of Support

Company	Average Money Raised (in thousands)	Average Contribution Received	Average Contribution Given	Support For: Committees	Support For: War Chests	Primaries	Debt Retirement
A	$165	$ 500	$ 1,000 +	yes	no	yes	no
B	160	n.a.	500-999	yes	rarely	yes	rarely
C	256	250	500-999	no	yes	yes	occasionally
D	653	300	500-999	no	no	yes	yes
E	70	250	500-999	no	n.a.	yes	yes
F	191	n.a.	500-999	no	yes	no	occasionally
G	19	500	500	no	no	yes	occasionally
H	278	250	500-999	no	no	yes	rarely
I	226	300	equal	occasionally	no	yes	rarely
J	190	250	1,000	no	rarely	yes	yes
K	65	1,000	250-499	occasionally	yes	no	yes
L	29	1,000	200	no	rarely	yes	rarely
M	103	300	500-999	occasionally	rarely	yes	yes
N	66	n.a.	250-499	yes	yes	yes	yes
O	40	300	500-999	occasionally	yes	yes	yes
P	24	240	500-999	yes	no	yes	yes
Q	228	400	250-599	no	yes	yes	yes
R	7	n.a.	200	no	no	no	no
S	29	300	250-599	yes	occasionally	yes	yes
T	28	n.a.	1,000	yes	no	yes	yes

+ The dollar figures for average contributions given were drawn from the Federal Election Commission's Committee Index of Candidates Supported/Opposed—1983-1984. The range shown is the one that appears the most often.

"guaranteed losers." This manager does not consider such money wasted because he believes certain congressmen can be kept in check when people are encouraged to run against him.

A number of observers have questioned the relationship between votes and money. Representative Barney Frank, Democrat of Massachusetts, says:

> "I don't think that votes follow money. I think that money follows votes. Business PACs invest in incumbents. It's the banks against the thrifts, the insurance companies against the banks, the Wall Street investment banks against the money-center commercial banks. There's money anyway you vote."[2]

Table 17, as mentioned earlier, looks at the size of the companies interviewed based on the number of employees, the number of PAC members relative to the employees solicited for membership, and the money raised during the 1983-84 two-year election cycle.

In three cases, companies B, E and Q, where the ratio of PAC members to the solicitation base is high, one might say that the PAC is used as a management tool, and support is expected from upper-level management. In most cases, however, the the ratio of response to solicitation is rather small, indicating — at least in those companies visited—that there is little or no pressure to support management in matters of political choice. Almost all managers agreed that if they had more time to devote to solicitation, their PAC memberships and donation levels would increase.

Table 18 shows individual contributions to candidates most frequently falling in the $500 and over range. Often, $500 would be given to a House candidate, and $1000 to a Senatorial candidate. Philosophies in giving varied considerably among the firms questioned. Some managers believe that those who receive early money are particularly appreciative, as noted earlier. Although nearly all the PAC executives interviewed supported primary campaigns, a few chose not to do so because they feel that such contributions are too diffuse and, therefore, wasted.

The only "committees" the managers were happy to support were the national party committees. The others were disliked by all those interviewed. For example, a senior executive in one electrical products firm states, "We make no contributions to committees. Helms' money goes from Helms to other people. We don't get any credit for it. Not only does our money go indirectly to a candidate of the *committee's* choice, but it is often used to *defeat* a candidate rather than elect one." Often cited was the National Congressional Club, North Carolina Republican Senator Jesse Helms' political action committee, said to have targeted three Democratic Senators for defeat in 1986: Gary Hart (Colorado), Allan Cranston (California), and Christopher J. Dodd (Connecticut).

War chests—the acquisition of funds in nonelection years—are even less appreciated by PAC managers. One manager thinks it is an inappropriate activity to support and has his PAC rethinking its policy with regard to contributions

[2] Kuttner, Robert "Ass Backwards," *The New Republic*, April 22, 1985, page 22.

to such funds. Two managers support war chests grudgingly, while one gives only token contributions.

The issue of using PAC money to retire campaign debts is becoming increasingly controversial. Although campaign financing regulations make no distinctions between using money to support the election of a candidate who is running for office, and contributing to a fund to retire the debt of a representative already elected, that distinction is being discussed among those pressing for campaign- financing reform. Some critics believe that elected officials burdened with a heavy campaign debt may be tempted to look too favorably at legislation of benefit to contributors to their debt retirement campaigns.

One manufacturing company PAC manager says: "Our giving is very direct rifle shooting. We give *only* to the candidate and *only* in an election year," he says.

Honoraria are often used to supplement what is the allowable PAC contribution under the law. Most of the companies interviewed invite certain candidates to speak before their employees or management. These speaking engagements are paid for with corporate, not PAC, funds with the limit set by law.

The CEO's Role

Only two of the managers questioned believed that the candidate-selection process is influenced by their CEOs, even though the PAC committee was either appointed by the CEO or by a consensus agreement of top management. Rarely did the Board find a nonmanagement PAC. One manager reported that the CEO's sole function was to nominate the PAC officers, but then he pointed out that those same officers had been in place for nine years. Several managers believe that their PACs would be much more effective if the CEO took a greater interest. Another manager took a diametrically opposed position: his PAC is very careful to keep the CEO removed from day-to-day PAC activity.

In one PAC, the CEO signs off on the solicitation, but does nothing else—not even request the year-end results. His only suggestion in five years for a contribution to a candidate fortunately coincided with the decision of the committee to support that candidate. Other PACs were not so gracious. Their managers reported:

> "Despite a request from the CEO [to support a particular candidate], we gave only a token contribution. The committee did not think the candidate had a chance."
>
> **a defense contractor**

> "Our CEO has to be restrained. He is watched over by the firm's legal counsel who works closely with him. Therefore, everyone knows that when something comes from the legal counsel, it really comes from the CEO."
>
> **an insurance company**

Other managers recognize that the CEO does not have to be directly active for people to respond to what they think his interests might be—particularly if he is very supportive, contributes the maximum amount, and is aware of candidate-selection. According to the respondent for one manufacturing firm:

> "No marching orders are given, but the committee is concerned with their *perception* of the CEO's opinion. Therefore they will give to Senator X, even though they know he can't win."

Although, as noted, four-fifths of the managers interviewed report their PACs do not represent the CEO's involvement and interests, there was still concern about coercion. For example, management might wish to know who participated in the PAC. A bank's PAC manager says, "I think there is a real loss of First Amendment rights. People feel that they *must* give, just like the United Way."

Wasted Contributions

When questioned as to whether any PAC money was being wasted, a third of the managers answered "none," while a quarter answered "only a small amount" or "rarely." The remaining managers believe that the level of waste is probably between 10 and 20 percent of all the money contributed.

The judgment of waste in PACs was never based on whether or not the candidate of choice won. There was a surprisingly small sense of loss associated with candidates who did not win their races. It was the token contributions—or favors—that constitute what is considered waste: "Ten to fifteen percent of our money goes to candidates we know won't support us," a finance firm executive reports.

The Influence of PACs on Corporations' Futures

PAC managers were asked whether or not the corporations' future would be any different if their companies had no PAC, and nearly half thought not. They admit that their firms' governmental relations task would be more difficult, but they believe they would still be welcome in Congress. Several managers could not quantify the influence of their PAC. The perpetuation of access was considered important, and while trade associations represent the unified opinion of a particular industry, the CEO may look directly to his staff's lobbying effort to effect his firm's profit and loss.

A few managers say that their Washington representatives will claim that PACs make a difference to the futures of their companies. Their jobs may depend on their saying that. For example, from a finance company: "Although it's very difficult to assess, my department would make that claim—and make it well—because our jobs are on the line."

Conversely, a chemical company's public affairs manager sees the educational process in PACs as having influenced the management structure of his company:

> "If you go to a racetrack and don't bet on a race, you're not as interested in the outcome as if you had money on the horse.

Once people put money down, they start paying attention to the issues, the polls, the candidates' voting record, and so on.

"Our PAC has made a big difference within our organization. It has given plant managers a political awareness and has increased their ability to communicate. It has expanded their relationship to the world outside the plant. They become more sophisticated as they face the implications of a political issue. In the six or seven years I've been here, I've watched plant managers rise through the ranks into senior-management positions. Participating in the PAC process has helped them."

Campaign Spending Reforms

All the managers interviewed were interested in campaign spending reforms. Although a majority dismissed it as an unrealistic expectation, they remain concerned with escalating costs. All the managers agreed on one point: people do not vote for someone they had never heard of. If you are not on television, you do not exist, they said, and the costs of media campaigns are formidable. Suggestions were made to limit campaign time, the size of war chests, per-capita spending, and so forth.

With few exceptions,the managers want to see some form of spending controls. They have come to believe that campaigns are far too costly and far too long. One pharmaceutical company executive notes: "The company doesn't like year-round fund-raising. There is no federal election in 1985, but you wouldn't know it around here."

There was recognition all around that most incumbents—Democrats and Republicans alike—think the present financing system is just fine. PACs work well for Congress. Why should they change that? And there were, as well, some corporate managers who also believe the present system is fine. Campaign costs should not be contained, one manager contended. "The more money spent means the more people out there voting. Any proposal to limit funds would, of necessity, abridge First Amendment rights."

Only one of the managers questioned had actually taken action with regard to limiting campaign spending:

"On a state level, you can hear the brakes screeching. We have agreed within our trade association to stop escalating contributions and have set a $750 cap. It bears no relationship to what the candidate really needs. It's a 'club dues' situation. We are saying 'this is what we are willing to pay to belong to your club.' We think we can set an industry standard."

an insurance firm